

HEALTH AND HUMAN SERVICES OVERVIEW

Summary of Governor's Proposed Mid-Year Reductions and Their 2004-05 Affects

As noted in the table below, the Governor proposed mid-year reductions which equate to about \$689 million (\$438.2 million General Fund) for 2003-04 and \$1.9 billion (\$1.2 billion General Fund) for 2004-05 (i.e., an annualized basis) for health and human services programs.

Summary of Governor's Health & Human Services Reductions				
Department and Proposal	2003-04 Total Funds	2003-04 General Fund	2004-05 Total Funds	2004-05 General Fund
4260 Health Services	\$421.3 million	\$209.9 million	\$949.4 million	\$466.5 million
• Additional 10% Medi-Cal rate reduction (January 1, 2004 forward)	325.5 million	160.1 million	942.9 million	460 million
• Additional 10% rate reduction to Public Health Programs—CCS, CHDP, and GHPP	3.8 million	3.8 million	6.5 million	6.5 million
• Rescind LTC Wage Adjustment	92 million	46 million	0	0
5180 Department of Social Services	\$226.3 million	\$187 million	\$885.5 billion	\$680.3 billion
• Eliminate California Veterans Cash Benefit Program	1.2 million	1.2 million	5.2 million	5.2 million
• Eliminate In-Home Supportive Services Residual Program	135.5 million	88.1 million	566.1 million	367.9 million
• Reduce CalWORKS Grants	45.3 million	44.2 million	182.6 million	178 million
• Transfer Maximum Amount of Federal Funds from CalWORKS to Obtain General Fund Savings	41.1 million	41.1 million	119.5 million	119.5 million
• Eliminate Transitional Food Stamp Benefits Program	1.6 million	1.1 million	5.2 million	3.1 million
	(recipients lose \$82.8 million federal)		(recipients lose \$165.5 million federal)	
• Repeal AB 231 (Steinberg) regarding Food Stamp Eligibility	440,000 (recipients lose \$18.5 million federal)	186,000	772,000 (recipients lose \$37 million federal)	444,000
• Eliminate Supportive Transitional Emancipation Program	38,000	38,000	338,000	338,000
• Increase Community Care Licensing Fees (revenue enhancement to State)	1.2 million	1.2 million	5.8 million	5.8 million
5209 Health & Human Services (Various Adjustments across Items)	\$41.3 million	\$41.3 million	\$84.8 million	\$84.8 million
• Cap Enrollments to Various Health & Human Services Programs	11 million	11 million	60.9 million	60.9 million
• Cap Enrollments to State-Only Programs for immigrants	71,000	71,000	23.9 million	23.9 million
• Revert Prior Year Savings and Unspent Current Year Funding	29.6 million	29.6 million	0	0
Total Reductions (Rounded)	\$688.9 million	\$438.2 million	\$1.919 billion	\$1.232 billion

The Senate Budget & Fiscal Review Committee convened hearings in December to specifically discuss these proposals and their potential affects on individuals presently being served. The Legislature has thus far opted to defer decision on several of the mid-year reductions for 2003-04 in order to more fully discuss their policy and fiscal implications.

Summary of Governor's Proposed 2004-05 Budget

The state's health and human services programs protect overall public health and provide essential services to many of California's most vulnerable and at-risk residents through an array of about 20 departments, boards, and commissions.

The Governor's Budget for health and human services proposes a total of \$64.8 billion in combined state and federal funds, including expenditures for about 31,384 state employees. Of this amount, \$28.7 billion (\$24.6 billion General Fund, \$4.1 billion in special funds, and \$2 million in bond funds) is appropriated in the state's budget. The \$24.6 billion in General Fund support represents 32.3 percent of the state's total General Fund expenditures.

The Governor proposes to restructure and reform a number of health and human services programs, including Medi-Cal, Healthy Families, CalWORKs, Early Periodic Screening Diagnosis and Treatment Program for children with mental illness, Foster Care and services provided to individuals with developmental disabilities. Few specifics have been provided as yet on these proposals. The Administration indicates that it will be seeking constructive input from consumers, providers, the Legislature, and others as the process evolves.

The Governor's proposed budget for health and human services is built upon the following key assumptions:

- **Reduces Medi-Cal and Non-Medi-Cal Rates by a Total of 15 Percent.** In his mid-year reduction proposal, the Governor proposed to reduce Medi-Cal rates by *another* 10 percent in addition to the 5 percent reduction made in the Budget Act of 2003 and to carry this reduction level forward for a combined level of 15 percent. The two-year combined General Fund savings would be about \$960 million.
- **Proposed Restructuring and Reform of Medi-Cal via a New Federal Waiver.** The Governor proposes to seek a federal waiver that *may* include all or any of the following components:
 - Simplification by aligning Medi-Cal's eligibility standards and processes with CalWORKs and the SSI/SSP program;
 - Development of a multi-tiered benefit/premium structure that provides comprehensive benefits to federally mandated populations and basic benefits to optional eligibles, with more comprehensive benefits available to those willing to pay premiums;
 - Require co-payments for various services;
 - Conform the basic Medi-Cal benefits package to that of private health plans, including making changes to mental health benefits provided under the EPSDT Program for children.

- **IHSS Proposals.** The budget reduces the In-Home Supportive Services (IHSS) Program by 35 percent for total reductions of \$960.7 million (\$494.5 million General Fund). The Governor's proposals include elimination of the IHSS Residual Program, which will affect 75,000 consumers, and elimination of the state's participation in provider wages above the minimum wage.
- **CalWORKS Proposals.** The budget reduces the CalWORKs program by \$563.2 million, which constitutes an 11 percent reduction in total program funding. The Governor proposes to reduce grants, suspend cost-of-living adjustments (COLAs), and institute significant program changes including more stringent work participation requirements.
- **Loss of Enhanced Federal Funds.** The federal Jobs and Growth Tax Relief Reconciliation Act of 2003 provided federal fiscal relief to the states for the period of April 2003 through June 2004. As such, California received an enhanced federal fund match for Medi-Cal during this period (54.3 percent from April 2003 through September 2003, and 52.9 percent from October 2003 through June 2004). The loss of this enhanced federal financial participation for 2004-05 results in an increased need of \$655.4 million General Fund.
- **SSI/SSP Changes.** The budget does not pass-through the Federal Supplemental Security Income/State Supplementary Program (SSI/SSP) COLA for savings of \$62.5 million (General Fund) and suspends the state SSI/SSP COLA for savings of \$84.6 million (General Fund). The combined proposals amount to \$32 in lost income for individuals receiving SSI/SSP benefits.
- **Continues Cost Containment Actions for Regional Center Services.** The Governor proposes to continue several cost containment actions enacted as part of the Budget Act of 2003. These include: (1) \$10 million (General Fund) in unallocated reductions at the Regional Centers for the purchase of services, (2) continuation of the Day Program rate freeze, (3) continuation of the contract services rate freeze, (4) continuation of the Community Care Facility rate freeze, (5) continuation of the elimination of the SSI/SSP pass-through to Community Care Facilities, (6) continuation of the delay in intake and assessment (60 days to 120 days), and (7) continuation of the noncommunity placement plan start-up suspension.
- **Significant Purchase of Services Cost Reduction at Regional Centers.** The Governor proposes to reduce by \$100 million (General Fund) in community-based services and supports for individuals with developmental disabilities receiving services through the RC system. No details as to how this reduction will be achieved have as yet been provided. The Administration states that the reduction will be achieved through a number of proposals to be implemented in 2004-05 and 2005-06. The proposals will recommend establishing purchase of services standards, share of cost liability, a standardized rate structure and an alternative service delivery method.
- **Assumes Elimination of Supplemental Wage Rate Adjustment for Nursing Homes.** The Governor assumes approval of his mid-year reduction proposal to eliminate \$46 million (General Fund) in 2003-04 for the supplemental wage rate adjustment to be paid to nursing homes that have collective bargaining agreements or contracts that increase wages for their staff.

- **Foster Care Changes.** The budget assumes \$20 million (General Fund) in savings from unspecified programmatic reforms that shorten the period of time children spend in Foster Care. In addition, the budget provides over \$30 million in funds to support various Child Welfare Services (CWS) initiatives including implementation of the California Child Welfare Outcomes and Accountability System (AB 636), the state's Program Improvement Plan, and the CWS Redesign.
- **Recalculation of Mental Health Services Rates to Reduce Expenditures.** The Governor assumes savings of \$40 million (General Fund) from the EPSDT Program, and a reduction of up to \$90 million in federal funds (EPSDT and Adult outpatient), by recalculating the statewide maximum allowances paid for certain mental health services provided under the Medi-Cal Program.
- **Eliminates Children's System of Care Program.** The Governor eliminates this highly effective program which provides medically needed mental health treatment services to children with severe emotional disturbances for a proposed savings of \$20 million General Fund.
- **Caps AIDS Drug Assistance Program (ADAP).** The Governor proposes to continue his mid-year reduction proposal to cap enrollment in ADAP at 23,891 individuals. Under this proposal, a statewide waiting list would be established on a first come first served basis. New clients would be allowed into the ADAP only as enrolled clients leave. The budget assumes savings of \$275,000 (General Fund) in 2003-04 and \$550,00 (General Fund) in 2004-05 by denying HIV/AIDS drug treatment assistance to low-income individuals with HIV/AIDS.
- **Proposes County Block Grant for Certain Services.** The budget eliminates various health and human services programs that serve legal immigrants and proposes a single county block grant for savings of \$6.6 million (General Fund). The programs subject to elimination include CalWORKs benefits for recent legal immigrants, the California Food Assistance Program, the Cash Assistance Program for Immigrants and the Healthy Families Program for Immigrants.
- **Cap on Enrollment for State-Only Programs.** The Governor proposes to cap enrollment, effective January 1, 2004, in several "state-only" (i.e., supported solely with the General Fund) Medi-Cal programs, including: (1) the Breast and Cervical Cancer Treatment Services (BCCT) Program for undocumented individuals, (2) nonemergency services for legal immigrants, and (3) nonemergency services for undocumented individuals. Under this proposal, the DHS would establish statewide waiting lists on a first come first served basis. Proposed savings are \$1.8 million (General Fund) for the BCCT Program, \$5.6 million for nonemergency services for legal immigrants, and \$9.8 million (General Fund) for nonemergency services to undocumented individuals. The proposed savings result from the denial of health care services. Each of these proposals would require statutory change for implementation to occur.
- **Significant Increase for Medicare Part A and Part B Premiums.** The Governor proposes to provide an increase of \$109.3 million (General Fund) for the state to pay the premium of dually eligible Medi-Cal/Medicare enrollees. This growth is due to expected federal premium rate increases to be effective January 2005, and the continued growth in the number of aged and disabled persons eligible for Medi-Cal and Medicare.

- **Closure Plan for Agnews Developmental Center.** The Governor is continuing with the development of a closure plan for Agnews Developmental Center. Existing statute requires the Administration to provide the Legislature with a detailed closure plan by April 1 preceding the year of closure (i.e., April 1, 2004 plan due for a June 30, 2005 closure date). Discussions regarding the closure plan will occur during the Subcommittee process.

Each of these proposals as well as others are discussed in more detail below under each department.